

ARCHIVE COPY

99-E-4
C. 1

NATIONAL DEFENSE UNIVERSITY

NATIONAL WAR COLLEGE

**U.S. FOREIGN ASSISTANCE:
CREATING A TOOLBOX FOR THE TWENTY-FIRST CENTURY**

CONNIE L. STEPHENS/CLASS OF 1999
COURSE 5601, FUNDAMENTALS OF STATECRAFT
SEMINAR D

FACULTY SEMINAR LEADER:
CAPTAIN MICHAEL DUNAWAY

FACULTY ADVISOR:
BRUCE GREGORY

Report Documentation Page			<i>Form Approved OMB No. 0704-0188</i>	
<p>Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.</p>				
1. REPORT DATE 1999	2. REPORT TYPE	3. DATES COVERED 00-00-1999 to 00-00-1999		
4. TITLE AND SUBTITLE U.S. Foreign Assistance: Creating a Toolbox for the Twenty-First Century			5a. CONTRACT NUMBER	
			5b. GRANT NUMBER	
			5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)			5d. PROJECT NUMBER	
			5e. TASK NUMBER	
			5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) National War College,300 5th Avenue,Fort Lesley J. McNair,Washington,DC,20319-6000			8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)			10. SPONSOR/MONITOR'S ACRONYM(S)	
			11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited				
13. SUPPLEMENTARY NOTES				
14. ABSTRACT see report				
15. SUBJECT TERMS				
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES 13
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified		19a. NAME OF RESPONSIBLE PERSON

In 1993, Nigeria's military rulers dismayed the international community by annulling long anticipated presidential elections. The U.S. government wanted to send a clear message that their anti-democratic action was unacceptable in a post-Cold War world. Oil sanctions were discussed, since oil exports produced nearly all the foreign exchange Nigerian leaders were banking overseas; but no consensus could be reached with European allies, and the expected impact included higher prices at American gas pumps. Instead, among other things, the U.S. withdrew nearly all foreign assistance, including a project supplying up to a quarter of Nigeria's family planning resources.¹

Exploring foreign assistance as a tool for advancing U.S. interests raises the question of how abandoning support to Nigerians wanting smaller families discouraged impolitic coups. Was the conduct of the country's military elite, who can presumably afford unsubsidized birth control, likely to be affected? Was it in the U.S. interest for Nigeria's birth rate to climb? Under pressure to do *something* about a frustrating political setback, what guidelines were American policymakers expected to follow in assessing the dominant goal and most significant beneficiaries of this or any other aid activity?

It's no surprise that U.S. policy makers need a new typology for foreign assistance as a strategic tool. Throughout the Cold War, *foreign assistance* – defined here as *government resources provided to foreign governments, groups or individuals to promote the donor's national interest* -- was viewed through the

¹ The approximate percentage of family planning materials which the U.S. supplied to Nigeria was provided by a USAID official who worked on the project at the time it was closed.

lens of East-West rivalry. The overriding goal of foreign aid was nearly always to cement the position of recipient governments in one camp or another, balancing spheres of influence between two superpowers. In the U.S., a plethora of subsidiary goals evolved with no systematic hierarchy -- from saving lives, to promoting economic development, to preserving the environment. Achieving these ends was desirable, but not necessary to justify continued appropriations. The end of the Cold War made the former Soviet Empire a new target for U.S. aid, adding the transformation of authoritarian states into democracies to foreign aid's mushrooming responsibilities. Goals multiplied until the Foreign Assistance Act came to prescribe as many as thirty-three objectives and seventy-five priority areas.² For many American taxpayers and legislators, foreign aid became a losing proposition, not just because they were increasingly focused on domestic concerns, but because the aid inevitably failed at some, if not all, of its diffuse tasks. Dwindling support reduced American foreign assistance budgets to the smallest proportion of GNP among the industrialized members of the Organization for Economic Cooperation and Development³.

While the dwindling *quantity* of foreign aid dollars⁴ worries many foreign affairs specialists, the most pressing task is to define what we expect the budget to buy. The *qualities* of aid as a strategic tool for the next century must be

² *Strategic Assessment 1996: Instruments of U.S. Power*. Washington, D C : National Defense University, 1996, p. 52. NDU analysts describe the list as "overly ambitious," dissipating "what could be more powerful influence if it were more narrowly focused."

³ Congress, House of Representatives, Committee on International Relations, *New Thinking on Foreign Assistance: Hearing Before the Committee on International Relations*, 105th Cong., First sess., 26 February, 1997, 86.

clarified: proposing appropriate recipients; prioritizing among scores of possible goals; identifying types of resources to supply; outlining realistic expectations and timeframes to advance desirable outcomes or deter undesirable events; suggesting how to measure those achievements; coordinating with other donors. This essay proposes four aid categories to replace the myriad purposes outlined in current legislation. *Security Assistance, Humanitarian Assistance, Assistance Combating Global Threats, and Liberalization Assistance* each address distinct U.S. objectives. Each involves particular recipients and is best evaluated as an incentive or deterrent in view of its own most important purpose. Collectively, they could transform foreign assistance from today's amorphous instrument into a toolbox equipped for the construction and repair jobs likely to be confronted by tomorrow's national strategists.

Security Assistance

Security Assistance is bilateral aid extended to foreign governments as a quid pro quo for specific conduct,⁵ usually related to critical regional security issues. In exchange for adherence to the Middle East Peace accords of 1978, the U.S. still allocates Israel an annual cash grant worth over a billion dollars, and Egypt receives eight hundred million dollars of support for development projects. This form of economic assistance is generally coordinated with U.S. military aid. Its effectiveness is evaluated, above all, in terms of adherence to the policy which

⁴ Annual foreign assistance budgets now run slightly more than seven billion dollars (www.info.usaid.gov).

triggered the aid, although this can be a matter of interpretation⁶. Decisions to withdraw Security Assistance are likely to signal a sea change in U.S. ties to the recipient nation, making the impact of such aid difficult to fine-tune over time.

However, Security Assistance remains a vital tool in U.S. attempts to motivate significant changes in high stakes regional matters. During a recent trip to Bosnia, Secretary of State, Madeline Albright, repeatedly insisted that American aid would be awarded only to those implementing the Dayton accords.⁷ While cash grants make the overriding purpose of security aid unambiguous, there are sometimes good reasons to provide other kinds of technical and material assistance. These include the constructive role U.S. expertise and goods may play in the recipient country, and boosting the American economy through the purchase of U.S. goods and services for overseas delivery.

Humanitarian Assistance

Humanitarian Assistance is intended to save lives endangered by natural disaster, by the results of manmade conditions and conflicts, or increasingly, by a combination of these catastrophes. It advances the U.S. national interest by projecting Americans' high value for individual life⁸, and by reaching beyond

⁵ Current foreign assistance budgets classify most such aid as *Economic Support Funds*. However, aid for Bosnia, explicitly connected to compliance with the Dayton Accords, is included under the line item, *Assistance for Eastern Europe and the Baltics*.

⁶ For example, some would argue that Israel's continued building on the West Bank is, in 1998, a violation of the spirit of the 1978 agreement

⁷ Steven Erlanger, "Albright, a Bold Voice Abroad, Finds Her Role Limited at Home," *New York Times*, 1 September, 1998, Section A, p. 12

⁸ Disaster relief and feeding the hungry and poor is the type of foreign assistance most widely supported by the U.S public, endorsed by 88 percent of American voters according to survey conducted by Belden & Russonello in May, 1994 and summarized on the USAID website (www.info.usaid.gov).

overseas elites to large groups in desperate need. To deliver basic food and shelter, the U.S. Government offers resources to a wide variety of government and non-government recipients; the unique logistical capability of U.S. military forces is frequently enlisted. Coordination involves recipient countries, other donor nations, multilateral organizations, non-governmental organizations (NGOs), and collaboration between civilian and military personnel. About nine hundred million dollars of surplus American grain is distributed each year as part of such relief efforts.⁹

The clearest measure of successful Humanitarian Assistance is preventing death from starvation, disease, and exposure. Interventions to combat acute natural disasters, like floods or earthquakes, tend to be relatively straightforward and short-term. However, when a civil or military conflict causes mass suffering, the ability of armed groups to exploit the effect of long-term drought, refugee migrations, or civil unrest on civilians often complicates the delivery and evaluation of Humanitarian Assistance. Collectively, humanitarian aid donors must become more sophisticated at calculating when aid will be expropriated by undesirable actors, doubly victimizing intended beneficiaries.¹⁰ Tradeoffs between strengthening local power brokers and alleviating suffering are often acceptable, but they need to be better anticipated in planning how aid will be

⁹ USAID Congressional Presentation: *Summary of USAID Fiscal Year 1999 Budget Request* (www.info.usaid.gov).

¹⁰ A now classic example is the refugee camps in then Eastern Zaire, following Rwanda's 1994 genocide. The Hutu militias who had orchestrated the genocide commanded the camps, deriving much of their power from control of donated food. For a long period, the refugees became virtual

delivered. If damage done by local thugs outweighs constructive accomplishments, withholding aid may be the best policy.

In contrast to Security Assistance, Humanitarian Assistance can advance U.S. interests well beyond our circle of allies. Afghan earthquake victims may be less likely to believe propaganda about corrupt Western morals when U.S. assistance helps save their lives. Hungry North Koreans will apparently receive about 300,000 tons of American emergency food after their government agreed to resume "canning" its nuclear waste.¹¹ Even in pariah states, U.S. contributions of disaster aid to multilateral organizations helps penetrate the isolation that outlaw governments impose on their citizens.

Assistance Combating Global Threats

Although American policy-makers debate whether globalization is the most useful model for planning economic and political strategy, there's no question the interrelated threats of environmental degradation, uncontrolled population growth, and pandemic disease spill across national and regional borders. Mexican fires pollute American air; overpopulation provokes migration; Americans have begun to contract drug-resistant malaria. In response to such transnational problems, foreign assistance often successfully lowers birth rates, jumpstarts

hostages, prohibited from returning to Rwanda by militias, despite encouragement from the donor community.

¹¹ David E Sanger, "U.S. to Send North Korea Food Despite Missile Launching, *New York Times*, 10 September, 1998, Section A, p. 3.

market-based programs to preserve local habitats, or promotes AIDS education.¹²

Assistance Combating Global Threats could be awarded to national governments, local and international NGOs, or multilateral organizations that implement effective environmental and child survival¹³ policies. Its effectiveness should be evaluated on the basis of quantitative indicators (lower family sizes, decreased infection rates, declining pollution rates, and the like). Without such measurable progress, assistance funds should be invested elsewhere. Moreover, since its predominant objective is to fight transnational dangers, Assistance Combating Global Threats is best left unencumbered by other contingencies. Governments whose actions the U.S. finds objectionable nonetheless support U.S. national interests when they work to preserve the common environment and reduce global disease, and not assisting these efforts can harm the American public.

Liberalization Assistance

Liberalization Assistance, intended to promote more democratic societies and increase economic growth rates, is the most challenging type of foreign aid to

¹² Aid promoting birth control has proved successful as noted in Carol Graham and Michael O'Hanlon, "Making Foreign Aid Work," *Foreign Affairs* 76 (July/August 1997), p.96. Innovative market based programs have helped preserve forests in Niger and Benin, and encouraged Zimbabwean villagers to protect elephants as a source of tourism dollars. Across Africa, foreign donors have subsidized condoms and publicized their ability to prevent sexually transmitted diseases.

¹³ Family planning assistance is currently enveloped in USAID programs promoting child survival. (www.usaid.info.gov). This may be both because family planning is linked to lower infant mortality rates, and because the concept of child survival is less politically controversial than family planning. Female education initiatives, pre-natal care and primary health care to lower child mortality rates are also child survival efforts.

describe, justify and evaluate. Yet, just as Humanitarian Assistance projects Americans' value for human life, Liberalization Assistance symbolizes their fundamental belief in the political guarantee of liberty and in an economic environment which encourages the domestic growth and stability necessary for the pursuit of happiness. Foreign aid supporting these goals represents a commitment to share the fruit of these ideals outside U.S. borders.

At first blush, so-called democracy funds and development assistance may seem more different than alike. Development aid has existed for decades, while democracy projects are a post-Cold War innovation. Development economists have long noted that while a responsible, stable government is required for development, democracy is often unnecessary.¹⁴ At the same time, more liberal governments may encourage important types of economic development. Government encouragement of risk-taking entrepreneurs may not be necessary for the early stages of development, which are often based on increased capital inputs. But sustainable growth rates, based on technical innovations to increase outputs per unit -- Paul Krugman's growth of "inspiration", not "perspiration"¹⁵ -- seem more likely when political systems tolerate unorthodox thinking. Economic and political liberalization are also similar in being long-range efforts resulting

¹⁴ Based on data from the OECD and the World Bank the Congressional Budget Office concludes, "as a general Rule, democracy does not appear to be necessary for development, though it may be important in some countries." (www.cbo.gov *The Role of Foreign Aid in Development, Section 2, May, 1997*)

¹⁵ Paul Krugman: "The Myth of Asia's Miracle," (*Foreign Affairs*, Vol. 6, Nov/Dec 1994), p. 5 in NWC reprint.

from underlying beliefs on how to best organize communities and countries. As a result, incremental progress is hard to measure.

Additionally, the delicate tasks of designing effective development and democracy-building projects have much in common. Setting benchmarks for the nature and pace of policy changes to justify bilateral Liberalization Assistance is controversial, and probably more art than science. In broad terms, the U.S. should only offer bilateral aid to strengthen government institutions if a partner nation has begun to institute market-oriented economic policies or mechanisms to support political pluralism. Recipient governments should have legal institutions with the mandate and clout to protect private property, diverse political opinions, and the outcome of elections. To avoid erratic bilateral policies, the American executive and legislative branches should closely coordinate on these issues as annual aid budgets are prepared.

If appropriate policies are in place, then providing a recipient government with resources to implement the policies is in order, paying close attention to so-called recurrent costs. Activities such as support to primary education systems, an OECD “hallmark” of successful development,¹⁶ could help build bigger export markets for future Americans. However, if U.S. foreign assistance builds new grammar schools that a host country government can’t afford to maintain, there’s little long-term benefit. Bilateral Liberalization Assistance will be more successful if aid contingencies are restricted to increasingly liberalized policies

¹⁶ www.cbo.gov “The Role of Foreign Aid in Development,” Section 2, May, 1997.

and responsible management of the aid project. Using it as a deterrent for unrelated security issues, effectively treating it as Security Assistance, may prematurely abort an otherwise successful project without achieving the secondary security goal.¹⁷

At the early stages of policy reform, the most useful forms of Liberalization Assistance are probably technical counsel and exchange programs -- making American experts available to overseas counterparts; bringing international visitors to the U.S. to meet their professional peers; providing scholarships for future political leaders, businessman, and bureaucrats to study at U.S. universities. Since ideas evolve slowly, from a combination of new experiences and new perspectives gained in person-to-person exchanges, exchange programs and technical expertise should be funded over long periods of time. This type of assistance is particularly effective when it reaches out to young leaders as they emerge.

In a country without the underpinnings for economic growth and more participatory government, bilateral assistance should be focused on the sorts of technical advice and exchange programs discussed above. As either a complement or an alternative, material assistance can be awarded to local NGOs, including human rights groups, small business associations, or labor unions whose work creates the climate for broader government reform.

¹⁷ For a lengthy discussion of this issue, see Stanton H. Burnett, *Investing in Security: Economic Aid for Noneconomic Purposes* (Washington, D.C.: Center for Strategic and International Studies, 1992), pp. 87

Given the key role international exchanges play in successful Liberalization Assistance, the new legislative umbrella should mandate greater coordination among agencies involved in exchange activities, including USAID, USIA, the Treasury Department, and others. Until recently the U. S. Information Agency, under its public diplomacy mandate, was the lead agency in democracy-building through visitor and exchange programs. However, when democracy funding significantly increased, many similar programs were classified as foreign assistance to be administered by USAID. While the two agencies sometimes cooperate well on the ground, their overlapping missions can lead to friction and missed opportunities. Modified foreign assistance legislation should take advantage of the consolidation of the State Department, USAID, and USIA to ensure better coordination.¹⁸

Foreign Assistance for the Twenty-first Century

The demise of the Soviet Union expands the potential of U.S. foreign assistance to seriously address transnational threats, humanitarian crises, democracy-building, economic development, and new kinds of security issues. Prioritizing scores of objectives into four basic aid types would allow policy-makers to condition assistance on issues closely related to project goals. U.S. strategy toward a single country could combine more than one category of

¹⁸ Examples of excellent coordination include USAID grants to USIS offices in Madagascar and Tanzania for journalism training and rule-of-law exchanges. However, both USIA and USAID officials complain that officers inadvertently recruit the same candidates, and remain unaware of sister agency exchange programs in progress. USIA has long maintained a *Distribution Record System (DRS) database of local contacts, their areas of expertise, U.S. visits, workshop*

assistance, thus covering a range of goals and providing more than one type of leverage. Security Assistance to a government's energy sector might be dependent on nuclear non-proliferation, while Assistance Combating Global Threats is linked with efforts to decrease air pollution, and Liberalization Assistance to computerize judicial caseloads is tied to rule-of-law issues. Effective legislative reform will require relinquishing broad regulations applicable to all types of aid, such as Section 508 of the current Foreign Assistance Act, which bars U.S. assistance to any country whose elected leader is overthrown by a military coup. As in Nigeria, it may be in America's best interest to continue family planning and child health activities despite military misconduct.

We cannot foresee how long the United States will remain a singular superpower. But at the dawn of the twenty-first century, wise national security strategists will seize this opportunity to design a foreign assistance toolbox better equipped to shape the world they envision for the next era.